




BUDGET MEMO # 27

DATE: April 17, 2013

TO: The Honorable Mayor and Members of the City Council

FROM: David Hudson, Director, Community Development and Planning

THROUGH: Robert Sisson, City Manager 

SUBJECT: Fairfax Renaissance Housing Corporation Update

At the most recent City Council meeting, several questions were posed regarding the Fairfax Renaissance Housing Corporation. Those questions are restated and answered below.

1. *How many applications have we had in the past few years, compared with the Residential Tax Abatement program and the PACE program?*

From its inception in 2002 to present, the FRHC has received 329 loan applications, or approximately 30 per year.

From its inception in 1995, there have been 335 residential tax abatements, or approximately 19 per year.

The PACE program has not been established and, therefore, has no record.

2. *How much has been budgeted for the FRHC over the past 10 years?*

- 2003: \$300,000
- 2004: \$200,000
- 2005: \$200,000
- 2006: \$150,000
- 2007: \$150,000
- 2008: \$120,000
- 2009: \$0
- 2010: \$50,000
- 2011: \$0
- 2012: \$0
- 2013: \$0

3. *How have low interest rates affected the program?*

The current rate applicable to FRHC-related loans is 6.875%, which is competitive for a market rate 2-year construction loan. The applications filed by year are:

- 2002: 127
- 2003: 43
- 2004: 30
- 2005: 31
- 2006: 23
- 2007: 14
- 2008: 29
- 2009: 14
- 2010: 4
- 2011: 6
- 2012: 7
- 2013: 1 (through April 15)

The maximum loan amount was reduced from \$200,000 to \$99,999 effective July 1, 2009. Between 2003 and 2007, interest rates (30-year fixed home mortgage) hovered in the mid-6% range. Those rates have fallen steadily to an average of 3.97% in 2012. It appears that the program has been affected by both the program's \$99,999 loan maximum and the market interest rate environment.

4. *How many applications have not been approved because the loan amounts are too low?*

There is no way to accurately address this question. Those individuals seeking to do more substantial home improvements simply would not apply to this program.

5. *Compare and contrast the FRHC program with the Residential Tax Abatement program and the PACE program. Would it be advantageous for the City to funnel its resources into only one of those programs?*

The FRHC program was established to facilitate noticeable upgrades in individual homes within the City, ideally serving as a catalyst for more widespread upgrades within entire neighborhoods. Working with the partner bank, this program provides the financing for residential construction loans, with FRHC paying the interest over the 2-year period.

The residential tax abatement program was also established as an incentive to facilitate home upgrades within the City's neighborhoods. For homes located in the City's single-family neighborhoods, an improvement resulting in at least a 15% increase in home value is eligible for an abatement of the additional tax (100% for the first 5 years, transitioning to 0% after 10 years). The Tax

abatement and FRHC programs are complementary; however, there is no direct outlay of funds to the tax abatement program.

The PACE program is fundamentally a financing program to facilitate energy efficiency upgrades for commercial properties. City staff is currently working with NVRC to evaluate the potential of this program as it could be applied in the City of Fairfax.

There is no apparent financial benefit to combining these programs, as the tax abatement program does not involve direct funding and incurs little administrative cost, and the funding source for the PACE program would not likely be the City's General Fund.

Mr. Lestina, President of FRHC, has signed up to address some of these issues at the upcoming City Council meeting. If you have any questions or comments, please contact me.